



## MEMORANDUM

Agenda Item No. 11(B)1

**TO:** Honorable Chairperson Barbara Carey-Shuler, Ed. D. and Members, Board of County Commissioners **DATE:** January 20, 2004

**FROM:** George M. Burgess  
County Manager

**SUBJECT:** Terminal Leave Retirement Plan (TLRP)

In accordance with Administrative Order 3-38, the County is proceeding with the issuance of a Request for Proposals (RFP) for a Terminal Leave Retirement Plan (TLRP) provider. Given the significance of this matter, and the mandatory nature of the program, this report is being provided to the Board in advance of the release of the RFP to insure that your questions and concerns are addressed. The program is a tax-favored retirement plan under Internal Revenue Code 401(a) which will allow the County to direct up to \$40,000 of leave payout for employees who are terminating employment due to retirement into a tax-sheltered annuity program, or other qualified plan in lieu of a taxable cash payout to the employee. The County and our employees save Social Security (FICA) and Medicare taxes (MICA) and employees defer income taxes on eligible plan contributions. Employees will be provided with investment choices into which they can direct their money. There is no direct cost to the County for the TLRP. There are significant income tax benefits to retiring employees.

IRS regulations require that the program be mandatory for employees by class, in order to take advantage of the tax savings. The County is permitted to define class and has chosen to do so by bargaining unit. Therefore, the program will be rolled out to non-bargaining employees at implementation. We are meeting with bargaining unit representatives over the next few weeks to explain the program to them in detail and determine their interest in having their members participate. Upon acceptance by the collective bargaining units, the leave payouts of their members will be included in the program as well. Given the favorable tax advantages to their members, we anticipate general acceptance of the program by each unit.

Because of the mandatory nature of the program, we are sensitive to the fact that some employees will want to have access to their accrued leave monies. Provisions will be made with the selected vendor to insure that employees who would like to have the money made available to them can request the funds and have a check sent to them within one to two weeks of the request. When the funds are withdrawn, the employee will be subject to federal income taxes, but will never be responsible for the FICA or MICA taxes on these funds.

Mayor Alex Penelas  
Honorable Chairperson Barbara Carey-Shuler, Ed. D.  
and Members, Board of County Commissioners  
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We believe the Terminal Leave Retirement Plan will prove beneficial to our employees and the County through tax savings and tax deferrals. The Scope of Services is attached for your review and consideration.

  
Assistant County Manager

Attachment

## SECTION 2.0 - SCOPE OF SERVICES

### 2.1 INTRODUCTION/BACKGROUND

Miami-Dade County, herein referred to as the "County", as represented by the General Services Administration-Risk Management Division, is seeking proposals from interested parties to offer bundled, full administrative and investment services including implementation of a County 401(a) Terminal Leave Retirement Plan ("the Plan") (offered to select classes of employees) anticipated to become effective June 1, 2004.

The intent of this RFP is to solicit proposals, which closely resemble administrative and investment services currently being provided on behalf of the County's 457 and 401(a) Plans (the "Plans"). The County does not currently have a written investment policy, but may develop one.

Notwithstanding the minimum qualification requirements, as listed herein, the selected Proposer should have:

- At least five (5) 401(a) Terminal Leave Retirement Plans each with between \$1,000,000 and \$10,000,000 or more in assets and between 100 and 500 or more participants that it is administering as of January 1, 2004.

It is anticipated that the County will issue an Agreement with one (1) firm for a five (5) year period with options to renew the term on a year-to-year basis, at the County's sole discretion, for an unlimited period.

#### **A. Current Retirement Plans (For Information Only) and Terminal Leave Retirement Plan Summary**

Miami-Dade County is the largest metropolitan area in the State of Florida. The County provides retirement benefits for eligible employees through the Florida Retirement System (FRS). Enrollment is automatic for full-time and part-time employees.

The FRS offers a choice between a defined benefit pension plan and a defined contribution plan, qualified under section 401(a) of the Internal Revenue Code. Normal retirement age is 62 for all members (55 for special risk) or after the completion of 30 years of creditable service (25 years for special risk).

As a supplement to the retirement benefits under the FRS, Miami-Dade County offers employees a §457 deferred compensation program. The 457 plan is available to approximately 30,000 individuals throughout South Florida. These individuals' pay are processed through one payroll system. There are currently approximately 23,000 individuals enrolled in the 457 plan.

The County also offers a 401(a) plan to Group 1 and Group 2 senior executives, as defined by the County. Every January, the County contributes \$1,500 to a Senior Management Supplemental Retirement for Group 1 executives. The funds are invested as directed by the participants. For members of the Board of County Commissioners (BCC), the annual contribution is \$11,500. The 401(a) plan is also offered to Group 2 executives as an alternative to joining the Florida Retirement System's Senior Management Service Class.

In 2001, the County introduced a "Pickup Plan" in which Group 1 executives may elect to participate. The Pickup Plan allows executives to contribute to the plan on a pre-tax basis; however, executives must choose the percentage contribution (3%, 6% or 20%) to be payroll deducted biweekly and

elections are irrevocable. Enrollment for the Pickup Plan takes place in the fall for a January 1 effective date. Current participation is 20 executives.

The County plans' administration is centralized in Miami, Florida. There is no cost to the County for the plans. Both plans offer funds that range from very conservative and stable to very aggressive.

The following table summarizes additional information about the County and the Terminal Leave Retirement Plan to be implemented:

<b>Sponsor:</b>	<b>Miami-Dade County</b>
<b>Type of Plan</b>	Terminal Leave Retirement Plan under a 401(a) arrangement
<b>Participation</b>	Mandatory participation by class
<b>Status</b>	Governmental Non-Erisa
<b>Current Administrative Arrangements</b>	401(a) and 457 programs; terminal leave retirement plan will be a new program
<b>Anticipated Administrative Arrangement</b>	One administrator
<b>Number of County locations</b>	100+
<b>Number of Payroll Systems</b>	1
<b>Eligibility Requirements</b>	By class to be determined by the County; initially all non-bargaining employees eligible a) at election to participate in Florida Retirement System DROP Program or b) at retirement. It is expected that this Program will be rolled-out to all County employees within one to two years, subject to collective bargaining.
<b>Estimated Number of DROP Participants</b>	See DROP Employees Chart (TO BE ADDED)
<b>Number of Participants Who Have Elected the DROP Program Since 1998 DROP Inception Date</b>	1977
<b>Anticipated Annual Sick Leave Dollar Amount</b>	Approximately \$4,000,000 if all bargaining units opt in
<b>Maximum Contribution</b>	Amount due attributable to amount of accumulated sick leave pay upon termination, up to maximum legal limits under the rules governing 401(a) contributions
<b>In-Service Distributions</b>	None
<b>Vesting Schedule</b>	100% immediately vested
<b>Plan Structure</b>	Employer-sponsored 401(a)
<b>Contribution Type – 401(a)</b>	Employer-paid
<b>Total Plan Assets</b>	New Plan

<b>Loans Available</b>	No
<b>Rollovers Permitted</b>	Yes
<b>Hardship Withdrawals Allowed</b>	No
<b>Anticipated Implementation Date</b>	June 1, 2004

### **B. Minimum Qualification Requirements**

The following are the minimum qualification requirements for this RFP. There is no exception allowed to these minimum qualifications.

1. The selected Proposer shall offer full administrative and investment services for the County's 401(a) Terminal Leave Retirement Plan.
2. The selected Proposer's license to offer this line of service must never have been revoked, nor has the selected Proposer ever filed for any type of bankruptcy protection within the last seven (7) years to the due date of this RFP.
3. The selected Proposer shall have a minimum "A" rating from Standard & Poor or Moody's as of the due date of this RFP, so long as the selected Proposer has any rating by either of these agencies. If a selected Proposer has no such rating because it is a not-for-profit entity, it is a non-stock organization and it has no long-term debt, then such selected Proposer shall submit audited financials showing a strong financial position, including a strong asset to liability ratio, to be determined solely by the County.
4. The selected Proposer shall have at least ten (10) years of continuous 401(a) plan administration and investment experience prior to the due date of this RFP.
5. The selected Proposer shall have at least two (2) years of continuous Terminal Leave Retirement Plan administration and investment experience prior to the due date of this RFP.
6. The selected Proposer shall have a Terminal Leave Retirement Plan Document with a favorable determination letter from the Internal Revenue Service that may be adopted by the County.
7. The selected Proposer shall allow the participants in the Plan the ability to direct the investment of their current and future contributions; changes to both amounts must be allowed at least daily.

## **2.2 REQUIREMENTS AND SERVICES TO BE PROVIDED**

The County reserves the right to review and weigh the Proposer's response to the attached Questionnaire in accordance with the requirements listed herein and its assessed needs. Any exceptions taken by a Proposer to any of the following requirements must be explicitly noted in its proposal pursuant to Section 3.2(5).

### **A. General Requirements**

1. The selected Proposer shall continue to meet the minimum qualification requirements listed above, as applicable, for the duration of any agreement issued as a result of this RFP.
2. The selected Proposer shall offer its service(s) in a bundled format. This means that, at a minimum, the selected Proposer provides all services (including but not limited to: employee communications, full service recordkeeping, enrollment, and investment services) to the 401(a) Terminal Leave Retirement Plan participants on behalf of the County. (Limited subcontracting of non-core services would be acceptable, such as fulfillment and printing of materials.)

3. The selected Proposer shall offer services which closely resemble the administrative and investment services currently being provided on behalf of the County's other retirement plans.
4. The selected Proposer shall not charge any fees if any agreement issued as a result of this RFP for the Plan is not renewed or is terminated.
5. The selected Proposer shall have such licenses to do business as required by the State of Florida and the County (e.g., securities and insurance regulations).

**B. Investment**

1. The selected Proposer shall accept fiduciary responsibility for all Plan assets which come into its custody.
2. The selected Proposer shall serve as a fiduciary for all investment options offered through it, and shall comply with Florida state law in the selection, management and evaluation of all such investments. (A Proposer who cannot or will not meet this requirement shall describe the services it will provide to allow the County to meet its fiduciary duties with minimal oversight or time expenditure by County employees and officials. A Proposer who cannot or will not serve as a fiduciary may be disadvantaged as compared to a Proposer who can meet it. Refer to Section 3.2(5) regarding compliance with the Scope of Services.)
3. The selected Proposer shall provide comparative information on the investment options in an easy-to-understand format for participants, showing:
  - a. Morningstar rating for the investment option,
  - b. How the investment option benchmarks against the norm for such category if one exists (e.g., S&P 500 index), and
  - c. A disclosure of fund costs with a comparison to the Morningstar category average (or three-star and better funds).

Please see the detail required in Section 9 of the attached Questionnaire.

4. All mutual funds shall be registered with the U.S. Securities Exchange Commission (SEC) and follow the SEC's guidelines.
5. The investments shall not have:
  - a. A balance requirement;
  - b. Front or back end sales charges, loads, redemption fees, market value adjustments or any similar fee by any other name;
  - c. Intra- or inter-company exchange restrictions; or
  - d. Distribution limitations (other than those in the Plan).
6. The selected Proposer shall meet annually, or as requested, with the County to discuss the Plan's performance.
7. There shall be no maximum number of investment options to which an employee may direct contributions.
8. The selected Proposer shall allow any minimum contribution amount.

**C. Administration and Implementation**

1. The selected Proposer shall be responsible for identifying and implementing any and all new laws and regulations involving the delivery of the Plan to the participants to insure the Plan's continued compliance with all laws.

2. The selected Proposer shall provide financial information report(s) as outlined in the Governmental Accounting Standards Board Statement Number 32 issued October 1997 (as modified by GASB 34), or as required by any successor accounting standards statement.
3. The selected Proposer shall annually provide the County with a copy of its audited financial statement.
4. The selected Proposer shall annually provide the County or an auditor designated by the County with a copy of an independently prepared report prepared in accordance with the Auditing Standards Board Statements on Auditing Standards No. 70, "Reports on the Processing of Transactions by Service Organizations" (SAS 70 report). A SAS 70 report that only provides a description of the policies and procedures and the auditor's assessment of whether they are sufficient shall not be adequate. Rather, such report must indicate that the policies and procedures were tested and operated effectively to meet the control objectives and designed to reduce the assessment of control risk.
5. The selected Proposer shall provide all 401(a) plan administration, including mailing all notices and statements to participants directly on a timely basis.
6. The selected Proposer shall perform monthly reconciliation of accounts and notify the County in writing of any discrepancies.
7. The selected Proposer shall provide an implementation plan that outlines the specifics on how the implementation process will be completed. This shall include every aspect of the Plan including marketing and educational materials, forms, documents, operating procedures, etc. The selected Proposer shall work with the County to develop an implementation project plan for developing a compatible system that sends and receives data to and from the County in a manner determined by the County in order to successfully administer the Plan. The selected Proposer shall validate that requirements have been appropriately determined, systems have been designed to meet County requirements and that adequate testing has been completed to ensure the system handles data appropriately and are robust enough to deal with the transaction volume. The selected Proposer shall also work with the County to provide staff training on all aspects of the implementation plan and ensure that all necessary procedures have been addressed and documented. The post implementation time will be used to address system and business issues that were not anticipated at the time of start-up, if necessary.
8. The selected Proposer shall adhere to the implementation date as determined by the County.
9. The selected Proposer shall accept eligibility data, in electronic format, in the file layout used by the County.
10. The selected Proposer shall be responsible for the enrollments of all eligible participants (as determined by the County) and all fund changes.
11. The selected Proposer shall be responsible for administering all distributions (including minimum distributions) and maximum contributions for all participants, and handling all other participant forms, notices and communications.
12. The selected Proposer shall be the custodian for the beneficiary designations and shall also be responsible for collecting and maintaining all such beneficiary designations.
13. The selected Proposer shall be responsible for all governmental filings, if any, and providing an update of the Plan documents in accordance with the Internal Revenue Code and other applicable laws.
14. The selected Proposer shall handle all county, state, federal and international tax forms (including 1099's, withholding payments, and foreign tax recapture filings).

15. The selected Proposer shall provide administrative services to include advice on all changes in federal and state laws and regulations including regulations of the SEC and Internal Revenue Service and the implications of such changes on the Plan.
16. The selected Proposer shall have a disaster recovery plan and backup processing plan (in the event of unforeseen data loss or destruction or interruption of participant servicing).
17. The selected Proposer shall have written policies and procedures for handling participant inquiries, including but not limited to, domestic relations orders, transfers, rollovers and distributions. These documents shall be made available to the County upon request.
18. The County retains the right to audit the records of the Plan and retains the right to request to obtain an audited financial statement upon request. The selected Proposer shall pay for the cost of the audit, which can be a financial audit, a SAS 70 audit, or other audit as deemed appropriate by the County.
19. In the event a Plan administration contract is later awarded to another service provider(s), the selected Proposer shall transfer all account, participant and other necessary data to the new service provider(s), electronically and at its own cost.
20. The selected Proposer shall provide daily valuations and updates on the individual participant accounts based on close of business (COB) net asset values each day.
21. The selected Proposer shall provide for direct deposit of installment and annuity payments to the participants' bank accounts.
22. The selected Proposer shall accept contributions via ACH or wire transfer, in arrears unless an alternative is mutually agreed upon.
23. The selected Proposer shall be responsible for correcting all errors from any source (other than directly caused by the County or a participant and not reasonable capable of being identified or caught by the selected Proposer), and making the Participant and/or County whole. The County or participant shall not bear any cost of any such correction.
24. The selected Proposer shall absorb all costs associated with the implementation and, upon contract termination, exiting as a service provider.
25. The selected Proposer shall provide a Web platform which allows participants access to educational information, fund values, individual account information, allow for changes between funds of "old" and "new" money, request plan forms, change address information or beneficiary designation, etc.
26. The selected Proposer shall agree to retain all records for the duration of any agreement issued as a result of this RFP, plus the later of seven (7) years following the termination of said agreement, seven (7) years after the complete disbursement of funds from an individual participant's account, or the period required to comply with state and federal law.
27. The selected Proposer shall keep all participant records confidential and only the County's Group Benefits Administration staff, such individuals at the selected Proposer's who need access to such information for the administration of the Plan, and the individual participant shall have access to such records. The selected Proposer shall put in place such safeguards and procedures to keep such information confidential.

**D. Customer Service**

1. The selected Proposer shall maintain a sufficient number of local, South Florida customer service representatives, available for on-site visits, during hours determined by the County and available to support personnel during all shifts. The representatives shall have a computer



terminal with real-time access to employee eligibility and shall be able to perform query and other customer service related functions.

2. The selected Proposer shall provide a representative with account management capabilities. The account representative must be capable of assisting the County with the 401(a) Plan and obtaining appropriate resolution of issues and service (technical) related problems with the Plan. The account manager does not need to be located in South Florida, but does need to be available for meetings with the County on an as-needed basis.
3. The selected Proposer shall provide its enrollment materials to all eligible participants at no cost.
4. The selected Proposer shall provide sufficient personnel to attend implementation enrollment meetings as scheduled by the County.

**E. Education/Communication**

1. The selected Proposer shall provide quarterly statements mailed to participants at their home address detailing new deposits received, if any, allowable withdrawals paid-out, asset management or administrative fees deducted, amounts transferred between funds, rates of return by fixed and variable funds and options within each fund, and earnings and/or losses. This statement should show total contributions to date by the participant and a personal rate of return.
2. At a minimum, the selected Proposer shall provide investment guides, prospectuses, beneficiary election forms, summary plan descriptions, and all written material necessary for the administration of the Plan.
3. The selected Proposer shall provide investment related education to the participants on a quarterly basis or as requested. This shall include, but not be limited to, group educational seminars (on issues such as risk tolerance, diversification, investment costs and asset allocation), on-line educational opportunities regarding investment strategy and diversification, and one-on-one individual analysis on demand by the participant.
4. The selected Proposer shall publish a "Plan Description Chart." The County shall have the opportunity to review and suggest changes to assure accuracy, prior to its publication. In addition, the County retains final approval authority over all communication materials. The selected Proposer shall cover the cost of developing, printing, and distributing the chart so there is no cost to the County.

The selected Proposer shall provide a fund "performance watch" to provide timely investment education to participants.